

Adopted Operating Budget and Capital Improvements Program

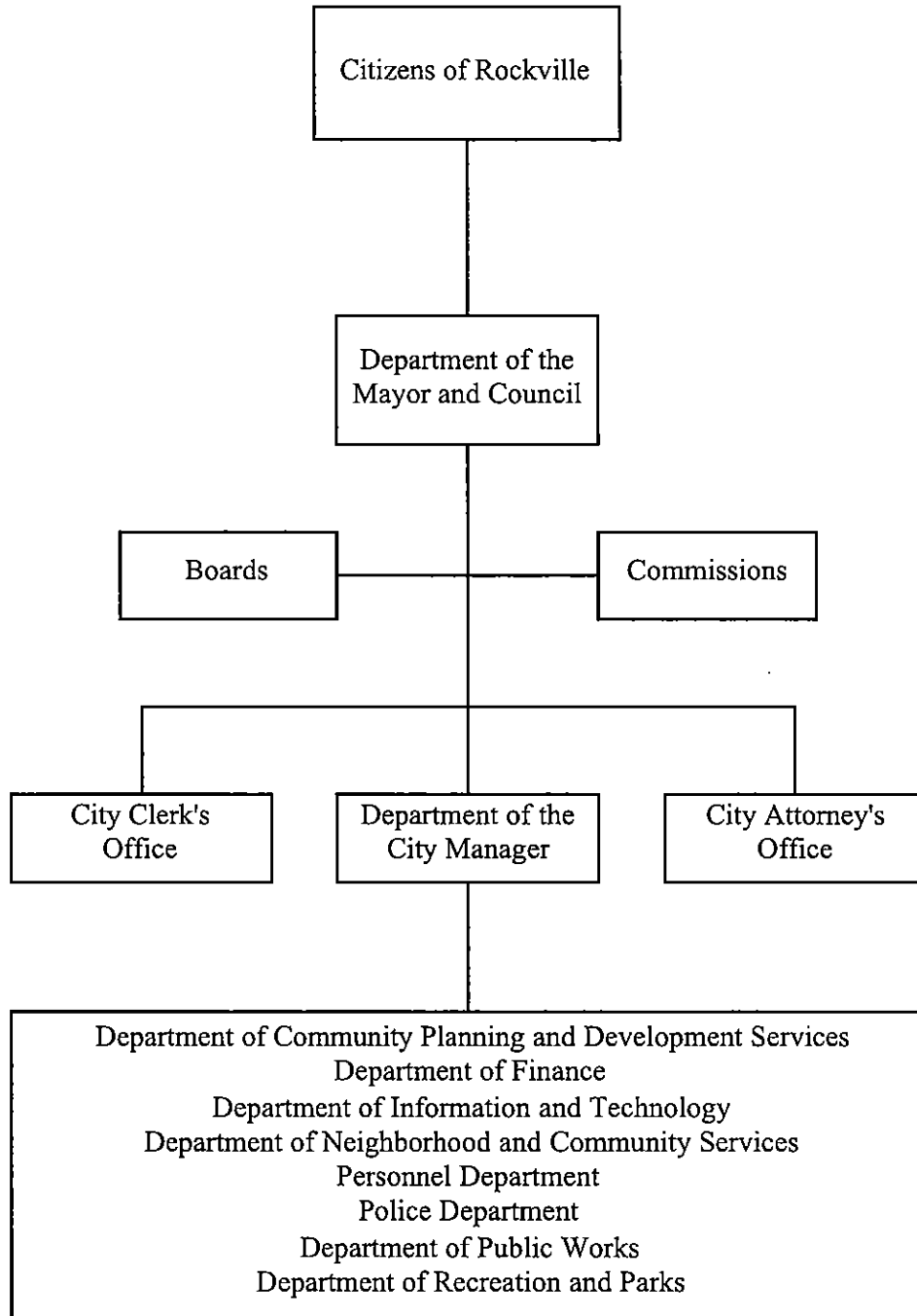
FY 2004

City of Rockville, Maryland

Executive Summary

Pages 1 - 20

City of Rockville
Departmental Organization Chart





July 1, 2003

Honorable Mayor and Members of the City Council
City of Rockville, Maryland

It is a privilege to submit to you the adopted budget for the City of Rockville for FY 2004, which begins July 1, 2003. This adopted budget is austere, but adequate – it is a conservative spending plan to meet citizens' service needs during an economic downturn without raising the tax rate. The property tax rate remains at \$0.322 per hundred dollars of assessed valuation for real property. At the same time, the budget addresses the second year of implementation of the Mayor and Council's 2002-2007 Strategic Plan goals, and provides infrastructure funding for the Mayor and Council's top priority, a revitalized Town Center.

FISCAL CONDITION

In FY 2004, the fiscal outlook of cities, counties, and states across the United States is bleak. The State of Maryland is attempting to balance its budget, and to date, the cost for Rockville residents is approximately \$800,000 in lost Highway User Revenues, which previously would have come to the City. More cuts to the State's budget are expected and additional impacts on funding for local governments are anticipated but not known at the time of printing this document. In response to anticipated and known lost State revenues, City departments made \$891,951 of cuts from the original budget target for the preparation of the proposed budget. These cuts ranged from eliminating positions to cost-saving techniques within departments. As a result of Mayor and Council budget worksessions, additional cuts in the amount of \$123,376 and additional revenue in the amount of \$224,690 were identified within departments prior to the adoption of the budget.

Despite a pessimistic regional outlook for FY 2004, the City of Rockville's property tax revenue continues to grow; income tax revenue remains steady; and the projected return on investment for the new Town Center point to a bright economic outlook for Rockville in the long run. However, the City remains conservative in its revenue projections and spending and continues to hone its multi-year *Long-Range Fiscal Analysis* which models various growth scenarios and anticipated staffing and service level needs. In addition, the Mayor and Council have been aggressively pursuing a federal legislative agenda that in FY 2003 resulted in \$2.9 million dollars of earmarked funding for the City. The City received funding for Town Center, pedestrian safety improvements, stormwater management, and police communications and technology enhancements, all of which will improve the City's ability to fund needed CIP projects.

Since most economic downturns are felt over a series of years, the City remains vigilant in monitoring the State and County financial positions, especially related to Program Open Space



and other State funding sources that have an impact on the City's CIP projects. Several large Recreation and Parks projects scheduled to begin in FY 2005 and FY 2006 are the Falls Grove park/school site, the King Farm 28-acre park, and the West Rockville Recreation Center. The schedules for each of these projects could be delayed if the State does not restore the original funding levels for Program Open Space. The shortfall in State Program Open Space funding is \$219,000 in FY 2004.

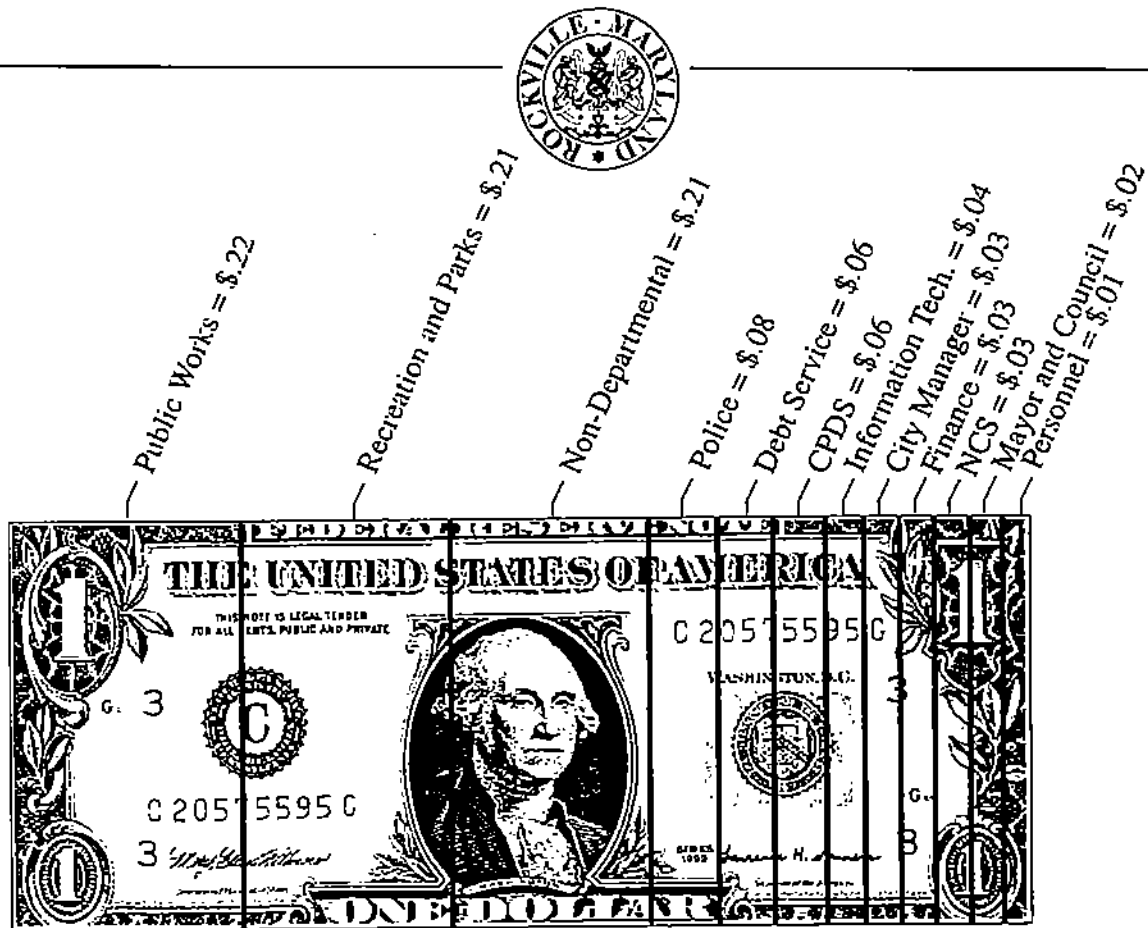
The City has put in place a number of financial management policies and practices that contribute to an ability to cope with difficult economic conditions. These include:

- The maintenance of an undesignated, unreserved balance in the General Fund in an amount at or above 15 percent of General Fund revenue. The purpose of this balance is to assure the orderly provision of services to residents if an unanticipated budget shortfall should occur. Revenue and expenditure levels are reviewed throughout the year in order to anticipate shortfalls as quickly as possible.
- The adoption each year of a balanced budget in which ongoing expenditures are supported by ongoing revenue sources; nonrecurring revenue (a one-time windfall from the sale of land, for example) is used for one-time or long-lived expenditures.
- The production of a *Long-Range Fiscal Analysis*, which examines future capital, personnel, operating, and service needs as the result of anticipated growth. This allows the City to plan for future financial needs.
- The production of a detailed six-year CIP that identifies the operating costs of new facilities. The City has identified a series of quantitative measures to ensure that the debt burden to support the capital program remains within manageable levels. Each year the CIP is crafted with a view toward ensuring that these targets are maintained through a limitation on the size of the capital program, along with substantial use of pay-as-you-go funding and rapid debt retirement.

According to the City's *FY 2003 – FY 2013 Long-Range Fiscal Analysis*, which examines the financial impact of residential and commercial growth, annual net revenues are generated for each of the growth forecasts that were analyzed. Today, the percentage of the assessed value of residential and commercial property is 59.8 percent and 40.2 percent, respectively. Although governments are beginning to see the effects of the slowdown in the economy, the *Long-Range Fiscal Analysis* predicts that Rockville will remain firmly positioned to deliver superior services at current levels and to invest in capital improvements throughout the City without a tax increase. The City, with its history of adhering to sound fiscal policies, continues to ensure that operating and capital budgets are planned conservatively and can withstand a slowing of the economy.

TOTAL BUDGET

The FY 2004 operating budget is \$69,749,558. This represents an increase of 5.1 percent over the modified FY 2003 budget, net of the appropriated fund balance in the General Fund. The chart on the following page illustrates how, by department, approximately \$1 of taxpayers' money is allocated.



A detailed list of all changes to the operating budget from proposed to adopted is on pages xiv-xvi; the significant changes are indicated below, by fund.

General Fund

- \$2,500 to institute a Green Building Recognition Program
- \$30,200 to fund the expansion of *Rockville Reports*
- \$6,200 to fund an outside agency request by the Rockville Volunteer Fire Department
- \$6,000 to fund an outside agency request by the Korean Community Center of Greater Washington
- \$5,000 to fund an outside agency request by the Chinese Cultural and Community Center

Refuse Fund

- \$78,656 to accommodate the increase in refuse tipping fees charged to the City by Montgomery County.

GENERAL FUND

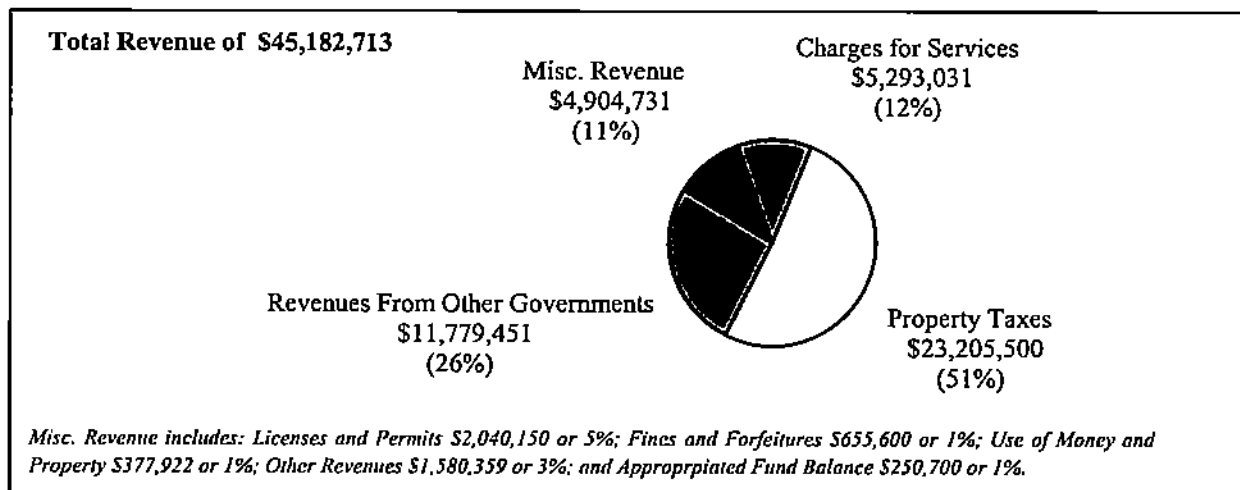
The General Fund budget of \$45,182,713 is 3.9 percent higher than the modified FY 2003 budget, net of the appropriated fund balance in the General Fund. General Fund revenue in FY 2004 will exceed the revenue in the modified FY 2003 budget by \$1.7 million. The General Fund has grown primarily because the City's major costs are related to salaries and benefits, which increase each year. The increase approved for City employees for the COLA is 2.5 percent and for employees who are eligible and have earned a merit increase, that amount is 3.5 percent. The



FY 2004 budget also includes a full year of salary and benefit costs for positions added in FY 2003 to address historic preservation issues and to fund the new Linkages to Learning Program. In addition, the salary projection methodology that had been used since FY 2000 proved to estimate personnel costs too closely for FY 2002 and FY 2003, and as a result, the methodology was reexamined and corrected to better approximate salary and benefit costs under current conditions.

The major portion of the General Fund revenue growth is a projected increase in real property tax revenue of \$1.5 million or 8.5 percent over the FY 2003 modified amount. Income tax revenue is budgeted to increase by \$210,000 or 3.4 percent of the FY 2003 modified amount. However, the income tax revenue estimated for FY 2004 is below the amount actually received in FY 2001.

Detailed information on the major General Fund revenue sources is provided in the Fund Summary section of this document. The graph below shows a summary of General Fund revenue for FY 2004.



Comparison of FY 2003 to FY 2004

No change is proposed to the property tax rate for FY 2004. In Maryland, properties are reassessed every three years, with all properties assigned to one of the three reassessment groups. A significant number of Rockville properties were reassessed for FY 2004 and therefore many homeowners and businesses will see an increase in the amount of municipal taxes paid. Any increases to the assessed value are phased in over a three-year period and homeowners are further protected by a cap that limits the increase in any one year to 10 percent of the current assessed value. Overall, the assessed value of all Rockville properties is estimated at nearly \$6.7 billion by the end of FY 2004, an increase of 12.8 percent from the revised estimate for FY 2003. The City estimates that an increase of five percent is attributable to reassessments and the remainder is the result of the addition of new residential and commercial properties.



MAYOR AND COUNCIL 2002-2007 STRATEGIC PLAN

At the beginning of the 2001-2003 term, the Mayor and Council initiated a goal-setting process to develop a Strategic Plan for 2002-2007. With the assistance of a facilitator and direct citizen participation through a community summit, the Mayor and Council identified five long-term goals and prioritized action items to be accomplished over the next two years. In the second year of this plan, the Mayor and Council accomplished some action items and others will be completed in FY 2004. Additional information about all of the Mayor and Council's Goals is included on pages 25-32.

Vibrant Town Center TC

Achieving the Vision:

The Mayor and Council's most important policy initiative is to redevelop the Town Center as the focal point and gathering place for the community. Adopted after an extensive public participation process, the new Town Center Master Plan calls for an active, mixed-use development through a combination of retail, restaurant, entertainment, civic, and residential uses. A pedestrian environment will be created with wider sidewalks, attractive streetscape design, and improved access to Metro. As the heart of the community, the Town Center will embody Rockville's distinctive identity and will be a place for community events and the celebration of Rockville's history.

Funding:

The Mayor and Council and staff have been working actively to implement this vision for our Town Center. Negotiations are in progress for a General Development Agreement. Also, Town Center design guidelines are in place and the preliminary design concept for the Rockville Regional Library has been presented to the public and is moving through the development review process. The City of Rockville received \$2.9 million during the FY 2003 Federal Appropriations Process, of which some will go directly toward the City's financial obligations for infrastructure in the Town Center. In addition, last December the Mayor and Council, Montgomery County Executive, and Federal Realty Investment Trust entered into a Letter of Intent whereby the Executive pledged \$12 million of County financial assistance over the next four years toward Town Center redevelopment. Of that amount, the County Executive included \$400,000 in FY 2004 CIP amendment recommendations to the County Council. Our long-range fiscal analysis shows that Montgomery County will recoup its \$12 million investment through additional property and income taxes by the year 2008.

A bond bill for the extension of Maryland Avenue was submitted to the State of Maryland this year. Although the State's current financial situation is bleak, the City anticipates State funding in the amount of \$12 million to be available over the four-year period from FY 2005 through FY 2008. The State of Maryland will recoup its investment in the form of additional income and sales tax revenue from the Town Center project by the year 2008.



The FY 2004 - FY 2009 CIP includes \$4,225,000 of City funds for Town Center redevelopment. An additional \$1,375,000 was budgeted in FY 2003; this brings the City's total commitment to \$5.6 million. Although Rockville's investment in Town Center will be substantial, staff will continue to work with the Mayor and Council as we aggressively pursue the County, State, and federal financial assistance. The City expects to recoup its \$5.6 million investment by 2012 based on projections for additional property and income taxes.

In addition to focusing on that part of the Town Center bounded by Beall Avenue, Hungerford Drive, Middle Lane, and North Washington Street, \$220,000 is included in the CIP to initiate in-depth planning on the redevelopment of the North Stonestreet area. This area has been identified in the East Rockville and Lincoln Park Neighborhood Plans as ripe for redevelopment and the planning effort to be initiated in FY 2004 will build upon the vision articulated in those plans.

Parking:

The City of Rockville will issue approximately \$45.5 million in revenue bonds from FY 2004-2009 to finance a parking district, which will construct three public garages in the Town Center. Montgomery County, the State of Maryland, and Town Center property owners also will participate in the City's parking district. Revenue from the City's on-street parking meters, the parking district tax, and parking fees from users of the new garages will provide the funds to pay off revenue bond indebtedness.

Better Mobility 🚲

To improve mobility within Rockville, the Mayor and Council envision a more pedestrian friendly, transit-oriented community. The Mayor and Council's action items to improve pedestrian safety and neighborhood traffic conditions are well funded in the City's CIP. To support the pedestrian safety action plan and neighborhood traffic control, a new CIP project was added in the amount of \$749,000 in FY 2004; costs will total \$2.7 million from FY 2004 to FY 2009. Additionally, \$30,000 funds three red light cameras to increase automated enforcement at key intersections throughout the City and State funding is being sought for a pilot neighborhood shuttle service. One of only six supplemental items funded in the General Fund budget is \$53,859 for temporary transportation staff to work on neighborhood traffic requests. The Falls Grove transportation demand management facility will be fully operational in FY 2004.

Other progress on this goal includes the Adequate Public Facilities Ordinance that is under development and should be ready for public hearings in FY 2004. The CIP also includes \$3.9 million to construct a pedestrian/bicycle bridge over I-270 in FY 2004, of which \$3.1 million is funded from a federal TEA-21 grant. This project provides a critical link for residents between western and central Rockville. The next section of the Millennium Trail, between Veirs Mill Road and Edmonston Drive, is scheduled for construction in FY 2004 at a project cost of \$401,681, of which \$264,808 is funded from a federal TEA-21 grant.



**Superior City Services **

To maintain the premium level of services for our residents, the City must continue to recruit and retain a high quality work force, use creative and collaborative problem-solving techniques, and utilize technology as a tool to make City services more accessible to the public.

Highlights of the e-government initiative slated for FY 2004 include providing inspectors with laptops and mobile access to Permit*Plan software to increase productivity. In FY 2004, staff also will implement online utility payments and begin a two-year project to upgrade and/or replace the City's financial system. Staff will evaluate the results of the police services study and make recommendations to the Mayor and Council during FY 2004.

To address City facility needs over the next 10 years, a new, separate police station is partially funded with \$2.2 million in FY 2009; additional funds to complete the facility will be programmed in FY 2010 and are estimated to be \$1.6 million. Also, \$3,300 is included to cover an expected rent increase at 32 Courthouse Square, the offsite location of our Department of Neighborhood and Community Services, and funds are included in the CIP for long-term facility improvements at the Gude Drive Maintenance Center. To continue to preserve the excellent City streets Rockville residents expect, the FY 2004 CIP includes \$892,000 for asphalt pavement maintenance and \$750,000 for concrete improvements, such as repairing and replacing curbs, gutters, and sidewalks.

Strengthened Neighborhoods

Strengthening Rockville's neighborhoods means preserving the character of our community and ensuring compatible infill development. Neighborhood Plans for Rockville Pike, Twinbrook, and West End will begin in FY 2004. The Department of Community Planning and Development Services will implement text amendments and/or zoning changes to protect the City's residential neighborhoods from non-residential uses and continue to monitor the Moore Drive redevelopment project. Implementation of minor code enforcement changes as well as enforcement improvements also are underway.

A \$200,000 City contribution for the Community Gym program for College Gardens Elementary School is included in FY 2008 and will coincide with the modernization of that school. Funding for Latino Outreach to deliver ESOL classes for Rockville residents was included in the amount of \$25,000. City funding to outside agencies is \$356,725, an increase of 6.1 percent or \$20,517 over the adopted FY 2003 budget.

Rockville: Community Identity and Pride ♥

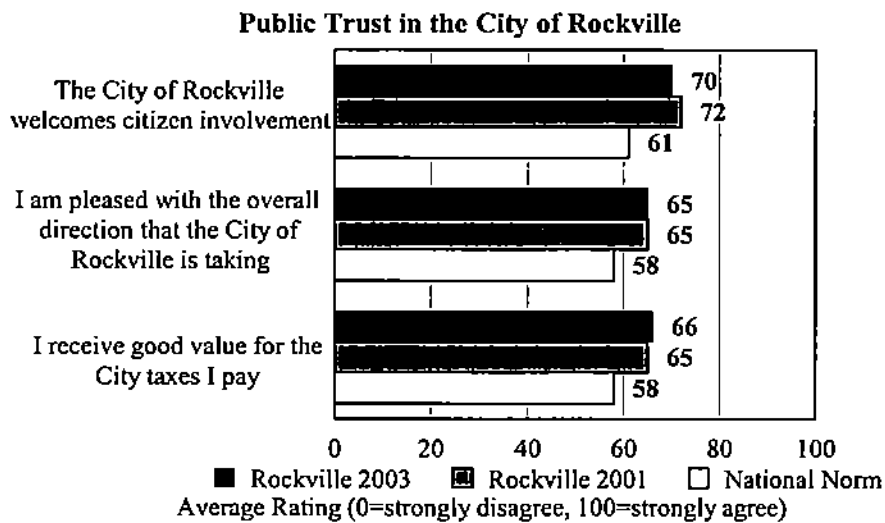
Rockville's active and engaged citizens will have a chance to voice their opinions on an important governance issue this fiscal year. The November election will include an advisory referendum on the length of Mayor and Councilmember terms. The Charter Review Commission recommended lengthening the terms from two to four years and citizens have the opportunity to express their opinion on this charter change in November. With the Mayor and Council elections



also in November, funding in the amount of \$7,251 is included for additional cable television programming for up to three candidate debates as well as other special programming. Two Neighborhood Conferences are again funded to continue to strengthen the relationship between the City and civic associations as well as connecting civic associations with each other.

CITIZEN SURVEY

The National Research Center, Inc. completed the City's second biannual citizen survey. The survey helped to measure community perceptions relating to certain quality of life issues and allowed the City to assess citizens' overall satisfaction with City services.



Note: This chart is an excerpt from the City of Rockville Citizen Survey: Report of Results.

The survey reports that the level of public trust in the City of Rockville is high and compares favorably to national norms. In general, Rockville's residents are pleased with the overall direction the City is taking and believe that they receive good value for the taxes they pay. Examples of performance measures included in the citizen satisfaction survey are shown below.

FY 2003 Citizen Survey

	Rating
Percent of citizens rating Rockville as an excellent or good place to raise children	86%
Percent of citizens rating Rockville as an excellent or good place to retire	55%
Percent of citizens rating the overall appearance of Rockville as excellent or good	74%
Percent of citizens rating openness and acceptance of the community toward people of diverse backgrounds	80%
Percent of citizens rating employees as having excellent or good overall customer service skills	78%
Percent of citizens rating employees as having excellent or good knowledge	82%
Percent of citizens rating employees as being excellent or good with courteousness	85%
Percent of citizens rating employees as being excellent or good with responsiveness	76%



Performance measurement data, including additional citizen survey indicators relevant to a specific division, may be found throughout the budget document. A complete report of the survey results is on the City's Web site or citizens can contact the City Manager's Office at (240) 314-8100 for a copy.

OTHER FUNDS

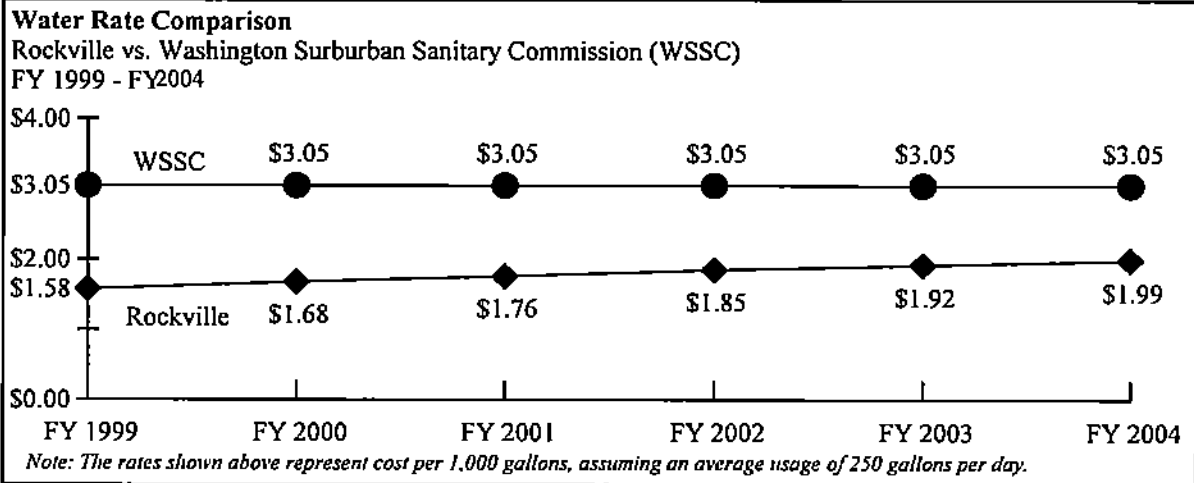
In addition to the tax-supported General Fund, this budget includes the revenues and expenses associated with the City's other funds. The most significant of these are the Water, Sewer, and Refuse Funds, which are supported by user fees charged to City households and businesses. Rates for these funds are set based on six-year cash flows that are prepared as part of the budget process. The Mayor and Council's commitment to Superior City Services includes water, sewer, refuse, and recycling services that are reliable, environmentally sound, and efficient. The chart below provides utility service information for the "typical" homeowner.

The Cost for City Utility Services

	FY 2002	FY 2003	FY 2004	Amount Change	Percent Change
Water (72,000 gal/yr)	\$133.20	\$138.24	\$143.28	\$5.04	3.65%
Sewer (72,000 gal/yr)	\$234.00	\$243.36	\$252.00	\$8.64	3.55%
Refuse Charge	<u>\$267.00</u>	<u>\$285.00</u>	<u>\$306.00</u>	<u>\$21.00</u>	<u>7.37%</u>
Total	\$634.20	\$666.60	\$701.28	\$34.68	5.20%

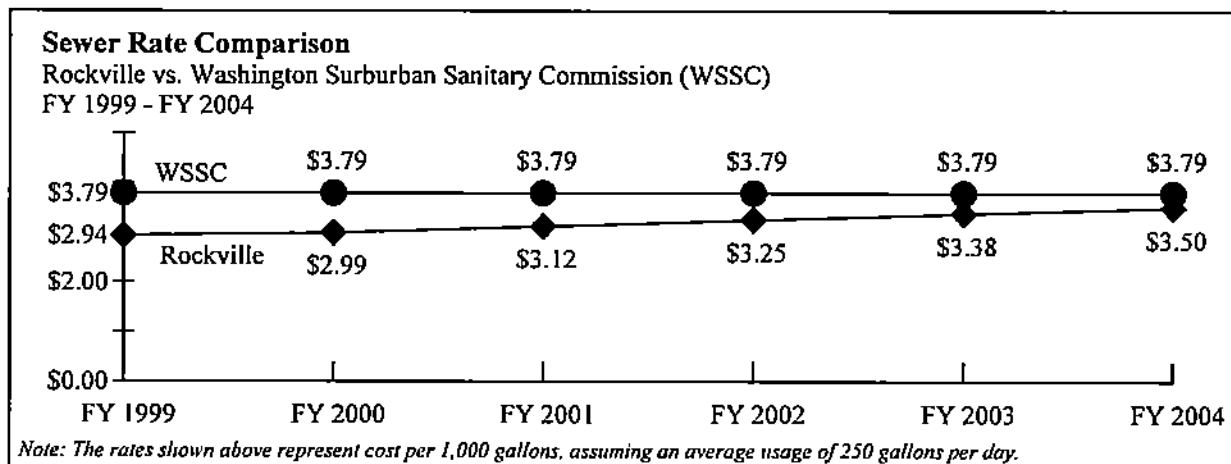
Water Facility Fund

The Water Fund rate increase is \$.07 per thousand gallons in FY 2004, raising the rate to \$1.99 per thousand gallons, an increase of 3.6 percent. Due to a significant accumulated balance in the Water Facility Fund, rates are currently set at a level below the amount needed to cover all operating and debt service costs and to contribute to major capital costs. As a result, successive annual rate increases are needed for the next several years to bring the rate up to this required level. The rate increase also supports new staffing of \$34,066 and maintenance of \$2,000 for the Glen Mill Pump Station. The chart on the following page summarizes Rockville's rate as compared to the Washington Suburban Sanitary Commission (WSSC). Rockville continues to produce quality water at a rate significantly below WSSC, providing City customers with a great value.



Sewer Fund

The Sewer Fund rate increase is \$0.12 per thousand gallons in FY 2004, raising the rate to \$3.50 per thousand gallons, an increase of 3.6 percent. Nearly all of the capital costs in the Sewer Fund and a substantial portion of the operating costs are payments for the operation of and capital improvements to the Blue Plains Wastewater Treatment Plant. The 1998 Master Plan for the District of Columbia Water and Sewer Authority included a significant increase in planned capital costs, as reflected in the Regional Treatment Facilities CIP project. Similar rate increases are anticipated in future years depending on the pace of work at the Blue Plains facility. Even with the increase, the City's rate remains below WSSC. The chart below summarizes Rockville's rate as compared to the rate of WSSC.



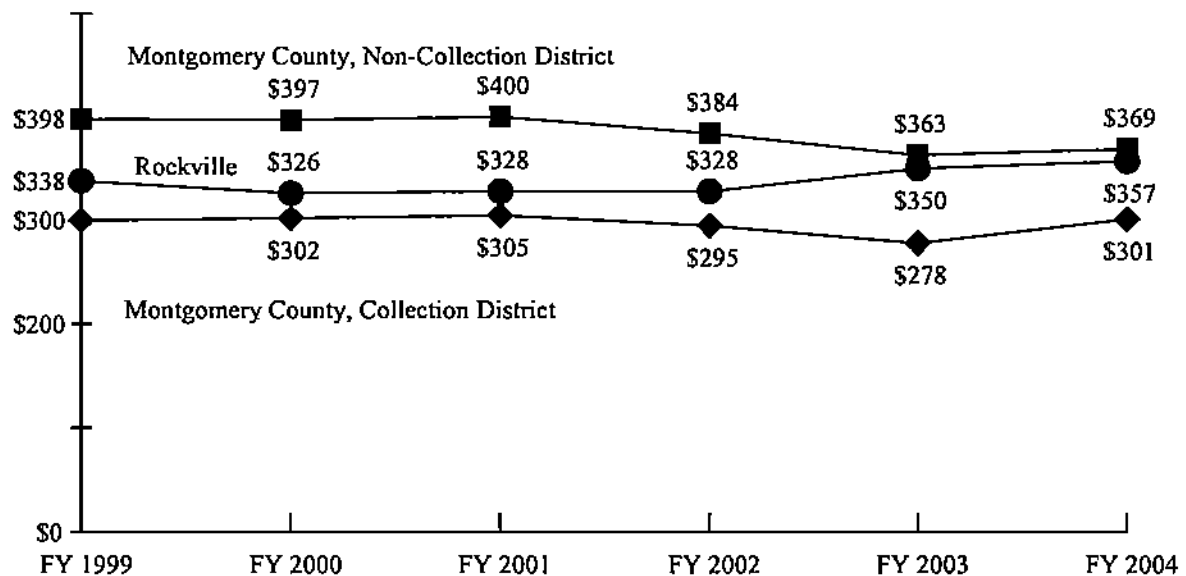


Refuse Fund

A cash flow analysis of the Refuse Fund has identified the need for a \$1.75 increase in the monthly rate for refuse collection, disposal, and recycling services in part as a result of an increase to the refuse tipping fees charged to the City by Montgomery County. The FY 2004 rate of \$25.50 is a 7.4 percent increase from FY 2003. Because of past accumulated balance in the Refuse Fund, rates are currently set at a level below the amount needed to cover all operating and debt service costs. As a result, successive annual rate increases are needed for the next few years to bring the rate up to this required level.

The chart below summarizes Rockville's refuse rate as compared to Montgomery County. It combines both refuse payments during the year, system charges, and other costs included on annual tax bills. City residents will pay \$306 in FY 2004 divided into quarterly billing amounts and a Systems Benefits Charge to Montgomery County of \$50.92 with their tax bill for a yearly total of \$357. The City's rate is slightly lower than the FY 2004 twice-weekly service of Montgomery County's non-collection district and includes the additional services of fall and spring leaf collection and special pick-ups not included in the Montgomery County rate. The City's rate is higher than the cost within Montgomery County's collection district, where service is only provided once per week.

Refuse Annual Charge Comparison
FY 1999 - FY 2004



Totals include monthly charges and annual system costs included on tax bills.

Montgomery County, Non-Collection District includes twice per week collection, no leaf vacuuming, no special pick-ups.

Rockville includes twice per week collection, leaf vacuuming, and unlimited special pick-ups.

Montgomery County, Collection District includes once per week collection, leaf vacuuming, and limited special pick-ups.



CAPITAL IMPROVEMENTS PROGRAM

The Capital Improvements Program (CIP) incorporates \$163,960,717 of community enhancements to be made over the next six years. In addition, open projects from prior years in the amount of \$60,994,572 are included in the FY 2004 CIP appropriation.

In FY 2004, the Capital Projects Fund will issue bonds in the amount of \$11.96 million to finance projects. The Water Facility Fund will receive \$4.5 million in additional loan funds from the Maryland Department of the Environment for capital projects and the Sewer Fund will issue bonds in the amount of \$2.75 million in FY 2004 to finance improvements at the Blue Plains Wastewater Treatment Plant. The Refuse Fund will issue bonds in the amount of \$183,015 to fund vehicle purchases. As mentioned previously, during the six-year CIP period, the City will also be issuing \$45.5 million in revenue bonds to finance three public parking structures in Rockville's Town Center.

A detailed list of all changes to the capital budget from proposed to adopted is on pages 209-219; the significant changes are indicated below.

- Fleet Street – funding was removed and the project was changed to a placeholder status
- Glenora Park SWM – this project sheet was removed; staff will meet with citizens and come back to the Mayor and Council with a revised project sheet for FY 2005
- New Roads-King Farm – developer contributions of \$584,000 were added to this previously unfunded project
- Noise Studies-Citywide – \$50,000 of funding was added to this previously unfunded project
- Pedestrian Safety/Traffic Improvements – this is a new project and represents the combination of Neighborhood Traffic Control, Pedestrian Safety, and Street Safety Improvements

Although we are experiencing difficult fiscal conditions, the City of Rockville remains committed to investing in and maintaining its infrastructure. The FY 2004 - FY 2009 CIP provides for over \$10 million in asphalt and concrete maintenance – streets, sidewalks, curbs, and gutters. Additionally, major facility improvements are planned over the next six years that include:

Gude Drive maintenance facility improvements	\$7,544,585
Stormwater management facility improvements	\$4,338,800
Pedestrian/bicycle bridge over I-270	\$3,905,526
West Rockville Recreation Center	\$3,336,000



King Farm 28-acre park development	\$2,319,000
Police station (partial funding)	\$2,172,000
Senior Center improvements	\$2,093,200
Fallsgrove park/school site development	\$1,603,000
Swim Center meeting/fitness room	\$1,276,679
Rockcrest Recreation Center renovation	\$ 835,000
Pumphouse facility improvements	\$ 285,000

In addition to the CIP in the capital budget, most projects affect future operating budgets either positively or negatively due to an increase or decrease in maintenance costs or by providing capacity for new programs to be offered. Such impacts vary widely from project to project and, as such, are evaluated individually during the process of assessing project feasibility. Figures are listed on each project sheet, where applicable, to demonstrate the operating cost impact that the City is committing to in approving a particular project.

The following chart lists the amounts, by fund and fiscal year, which would be added/subtracted to the City's operating budget as projects are completed. The amounts listed are the adjustments that would be made to the base budget from the prior year. The total of these new estimated operating cost impacts that are expected to result from the completion of the CIP projects included within this year's program are \$1,871,246. These costs are offset by \$647,000 of new revenue. The multi-year, *Long-Range Fiscal Analysis* also provides an opportunity to review the operating impact of growth-related future capital projects.

Summary of Operating Cost Impacts

Fund	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2004 – FY 2009
Water Facility	\$76,066	\$46,500	\$200	\$0	\$0	\$0	\$122,766
SWM	1,000	0	0	0	2,000	0	3,000
Capital Projects (CP)	<u>123,050</u>	<u>246,640</u>	<u>241,900</u>	<u>636,950</u>	<u>458,350</u>	<u>38,590</u>	<u>1,745,480</u>
Total Expenditures	\$200,116	\$293,140	\$242,100	\$636,950	\$460,350	\$38,590	\$1,871,246
Less Revenue (CP)	<u>12,000</u>	<u>90,000</u>	<u>95,000</u>	<u>270,000</u>	<u>90,000</u>	<u>90,000</u>	<u>647,000</u>
Net Impact All Funds	<u>\$188,116</u>	<u>\$203,140</u>	<u>\$147,100</u>	<u>\$366,950</u>	<u>\$370,350</u>	<u>\$-51,410</u>	<u>\$1,224,246</u>



CONCLUSION

In the course of this letter, I have tried to highlight the most significant operating and capital improvements expenditures in the FY 2004 budget. I believe that we have prepared a responsible financial plan that will fulfill the Mayor and Council's vision of a revitalized Town Center, implement the 2002-2007 Strategic Plan, continue premier City services to residents and business, and sustain the City in a secure financial position in a time of financial uncertainty. Our workforce of dedicated employees stands ready to implement the budget, and advance your plan for our community.

In closing, I would like to thank the City's Finance Director, Donna J. Boxer, Budget Management Administrators Susan Lander and Susan Fournier, Assistant City Manager Catherine Tuck Parrish, and Management Intern Jessica Chin who dedicated many hours to prepare this document.

Respectfully,

A handwritten signature in black ink, appearing to read "W. Mark Pentz", is written over the typed name.

W. Mark Pentz
City Manager

FY 2004 Budget Highlights

Rate Information:

- The property tax rate remains at \$0.322 per hundred dollars of assessed valuation for real property. The tax rate for personal property remains at \$0.805 per hundred dollars.
- The water rate increased by seven cents per thousand gallons to a new rate of \$1.99 to provide support for ongoing capital improvements.
- The sewer rate increased by 12 cents per thousand gallons to a new rate of \$3.50 to accommodate increased capital costs at the Blue Plains Wastewater Treatment Plant.
- The refuse rate increased by \$1.75 to a new rate of \$25.50 per month. Further increases will be needed in future years to accommodate modest cost increases and to achieve the appropriate break-even rate.

Overview:

- The General Fund budget of \$45.2 million is 3.9 percent higher than the modified FY 2003 budget, net of appropriated fund balance. The combined budget of \$69.7 million for the City's 12 operating funds is 5.1 percent higher than the modified budget for FY 2003, also net of the appropriated fund balance in the General Fund.
- The Capital Improvements Program (CIP) incorporates \$164 million of community enhancements to be made over the next six years. In addition, open projects from prior years in the amount of \$61 million will be included in the FY 2004 appropriation.
- The Capital Projects Fund will issue bonds in the amount of \$11.96 million to finance projects, the Water Facility Fund will receive \$4.5 million in additional loan funds from the Maryland Department of the Environment for capital projects, the Sewer Fund will issue bonds in the amount of \$2.75 million to finance additional improvements at the Blue Plains facility, and the Refuse Fund will issue bonds in the amount of \$183,015 to fund vehicle purchases.

Staffing Changes:

New and changed regular positions for FY 2004 have a net decrease of 0.4 FTEs and are listed below by department.

Department of the Mayor and Council:

- Change a full-time Administrative Assistant I to a temporary part-time Legal Assistant I in the City Attorney's Office (a decrease of 1.0 FTE).

Department of the City Manager:

- Delete a position in the City Manager's Office and absorbing its duties (a decrease of 1.0 FTE).
- Delete the Human Rights/Community Mediation Administrator in the City Manager's Office (a decrease of 1.0 FTE). The position's job duties have been transferred to Neighborhood and Community Services.

Department of Community Planning and Development Services:

- Delete a Planner II from the Planning Division (a decrease of 1.0 FTE).
- Move Landlord-Tenant responsibilities from Department of Community Planning and Development Services to Department of Neighborhood and Community Services (a shift of 1.0 FTE).

Department of Finance:

- Convert a full-time Purchasing Assistant to part-time Buyer I in Purchasing (a decrease of 0.5 FTE).

Police Department:

- Add a part-time Red Light Camera Assistant in the Special Operations Bureau to staff the red light camera program (an increase of 0.5 FTE).

Department of Public Works:

- Add a full-time Maintenance Worker in the Water Systems Maintenance Division (an increase of 1.0 FTE).
- Change a Temporary Sanitation Operator and Worker to full-time Sanitation Operator and Worker in the Refuse Division (an increase of 2.0 FTEs).

Department of Recreation and Parks:

- Change the part-time Custodian III to a full-time Swim Center Assistant in the Swim Center (an increase of 0.2 FTE).
- Add a part-time After-School Director in the Twinbrook Recreation Center (an increase of 0.4 FTE).

Summary of Position Changes FY 2003 – FY 2004

The following tables summarize the overall regular and temporary position changes (measured in FTEs or full time equivalents), by department, from FY 2003 to FY 2004.

Regular Positions by Department:	FY 2003 Revised	Additions	Deletions	FY 2004 Adopted
Mayor and Council	6.5	0.0	1.0	5.5
City Manager	18.1	0.0	2.0	16.1
Community Planning and Development Services	46.0	0.0	2.0	44.0
Finance	28.0	0.0	0.5	27.5
Information and Technology	21.0	0.0	0.0	21.0
Neighborhood and Community Services	26.5	1.0	0.0	27.5
Personnel	8.0	0.0	0.0	8.0
Police	67.5	0.5	0.0	68.0
Public Works	147.0	3.0	0.0	150.0
Recreation and Parks	<u>158.6</u>	<u>0.6</u>	<u>0.0</u>	<u>159.2</u>
Regular Position FTE Total	<u>527.2</u>	<u>5.1</u>	<u>5.5</u>	<u>526.8</u>

Temporary Positions by Department:	FY 2003 Revised	Additions	Deletions	FY 2004 Adopted
Mayor and Council	0.1	0.5	0.0	0.6
City Manager	0.8	0.0	0.0	0.8
Community Planning and Development Services	0.5	0.0	0.3	0.2
Finance	0.3	0.0	0.2	0.1
Information and Technology	4.7	0.0	2.2	2.5
Neighborhood and Community Services	1.8	0.0	0.0	1.8
Personnel	0.5	0.0	0.4	0.1
Police	1.7	0.0	0.0	1.7
Public Works	10.2	0.0	0.1	10.1
Recreation and Parks	<u>82.7</u>	<u>1.1</u>	<u>0.0</u>	<u>83.8</u>
Temporary Position FTE Total	<u>103.3</u>	<u>1.6</u>	<u>3.2</u>	<u>101.7</u>
 Grand Total FTEs for all Positions	 630.5	 6.7	 8.7	 628.5

Full Time Equivalent Positions by Fund FY 2002 – FY 2004

Each City of Rockville position, whether regular or temporary in status, is allotted full time equivalent (FTE). The FTE associated with each position is then charged against a fund (or funds) determined to be most appropriate to that job, based on the scope of work being performed. The FTE count influences the benefits provided with each position. The charts below list the regular FTEs (top chart) and the temporary FTEs (bottom chart) by fund. The charts listing the allocation of regular and temporary FTEs by department is on the following page.

Regular Positions:	FY 2002 Actual	FY 2003 Revised	FY 2004 Adopted
General	402.1	412.0	408.6
Water Facility	29.5	29.8	30.8
Sewer	13.8	14.0	14.0
Refuse	48.1	48.1	50.1
Parking	1.5	1.5	1.5
Stormwater Management	5.0	5.0	5.0
RedGate Golf Course	12.8	12.8	12.8
Special Activities	1.0	1.0	1.0
Community Development Block Grant	1.3	1.0	1.0
Capital Projects Fund	<u>1.0</u>	<u>2.0</u>	<u>2.0</u>
Regular Position FTE Total	<u>516.1</u>	<u>527.2</u>	<u>526.8</u>
Temporary Positions:	FY 2002 Actual	FY 2003 Revised	FY 2004 Adopted
General	83.8	84.5	87.2
Water Facility	0.0	0.0	0.0
Sewer	0.0	0.0	0.0
Refuse	9.6	9.4	7.2
Parking	0.1	0.1	0.1
Stormwater Management	0.5	0.4	0.3
RedGate Golf Course	6.5	7.5	5.5
Special Activities	1.4	1.4	1.4
Community Development Block Grant	0.0	0.0	0.0
Capital Projects Fund	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Temporary Position FTE Total	<u>101.9</u>	<u>103.3</u>	<u>101.7</u>
Grand Total FTEs for all Positions	618.0	630.5	628.5

Full Time Equivalent Positions by Department FY 2002 – FY 2004

The charts below list the allocation of regular FTEs (top chart) and temporary FTEs (bottom chart) by department.

Regular Positions:	FY 2002 Actual	FY 2003 Revised	FY 2004 Adopted
Mayor and Council	6.5	6.5	5.5
City Manager	18.6	18.1	16.1
Community Planning and Development Services	41.0	46.0	44.0
Finance	28.0	28.0	27.5
Information and Technology	20.0	21.0	21.0
Neighborhood and Community Services	24.0	26.5	27.5
Personnel	8.0	8.0	8.0
Police	67.5	67.5	68.0
Public Works	146.0	147.0	150.0
Recreation and Parks	<u>156.5</u>	<u>158.6</u>	<u>159.2</u>
Regular Position FTE Total	<u>516.1</u>	<u>527.2</u>	<u>526.8</u>

Temporary Positions:	FY 2002 Actual	FY 2003 Revised	FY 2004 Adopted
Mayor and Council	0.4	0.1	0.6
City Manager	0.7	0.8	0.8
Community Planning and Development Services	0.5	0.5	0.2
Finance	0.4	0.3	0.1
Information and Technology	1.9	4.7	2.5
Neighborhood and Community Services	1.8	1.8	1.8
Personnel	0.5	0.5	0.1
Police	1.6	1.7	1.7
Public Works	10.5	10.2	10.1
Recreation and Parks	<u>83.6</u>	<u>82.7</u>	<u>83.8</u>
Temporary Positions FTE Total	<u>101.9</u>	<u>103.3</u>	<u>101.7</u>
Grand Total FTEs for all Positions	618.0	630.5	628.5

The Budget Development Process

General — The City Charter requires the City Manager to submit a budget to the Mayor and Council at least one month before the beginning of each fiscal year. In addition to the operating budget, a six-year capital improvement plan is presented for the Council's review. The Mayor and Council schedule and publish advance notices of public hearings. The budget is approved in the form of an appropriations ordinance. During the year, the City Manager has authority to transfer budgeted amounts between departments within any fund, but changes in the total appropriation level for a given fund can only be enacted by the Mayor and Council through a budget amendment ordinance. The City amends the budget approximately four times throughout the fiscal year as needed. The amendments occur typically in October, January, March, and May.

FY 2004 Operating Budget — The development of the operating budget formally began with a pre-budget worksession with the Mayor and Council in November 2002. In December 2002 established targets and worksheets were distributed to departments. In January and February 2003, the City Manager held meetings with the senior management team and division heads to discuss priorities for the coming year. Preliminary worksessions took place on February 3, 2003 and February 18, 2003 with the Mayor and Council to discuss general budget issues. The collective recommendations of the senior management team form the basis for the City Manager's recommended budget. During March 2003, the budget staff prepared the FY 2004 Proposed Operating Budget and FY 2004 - FY 2009 Capital Improvements Program for presentation to the Mayor and Council on April 14, 2003. After further review and discussion between the Mayor and Council and the senior management team, public hearings were held on April 28, 2003 and May 5, 2003, to solicit citizen responses to the proposed budget. Following the public hearings, the Mayor and Council conducted worksessions on May 13, 2003, May 20, 2003 and May 28, 2003 to discuss the budget prior to adoption. The Mayor and Council approved the budget and adopt ordinances, which set forth the property tax rate, the water and sewer rates, and the refuse charge on June 9, 2003. During June and July, the budget staff prepared the FY 2004 Adopted Operating Budget and FY 2004 - FY 2009 Capital Improvements Program under the direction of the City Manager. The adopted budget for FY 2004 took effect July 1, 2003.

FY 2004 Capital Improvements Program — In October 2002, the City Manager solicited requests from departments, neighborhoods, and homeowners associations for Capital Improvements Program (CIP) projects. The deadline for submitting requests was November 15, 2002. Staff evaluated all requests received for inclusion in the proposed budget. A list of the requests and actions taken is located on page 202 found in the introduction section of the CIP.

The operating budget and CIP are available on the City's Web site (www.ci.rockville.md.us) and highlights are available on *The Rockville Channel* (Ch.11) and in *Rockville Reports*. The adopted budget document is available to departments, agencies, schools, libraries, media, and the public in early August of each year.

The chart below is a monthly time-line of the major components of the FY 2004 budget development process.

Formulation of Operating Budget and CIP; Neighborhood CIP Requests Solicited						
	Executive and Budget Office Review, Preliminary Worksessions, Development of the Proposed Operating Budget and CIP					
		◆ ◆		Meetings and adoption of budget and CIP		
				●	● ◆ ◆ ◆	■
Dec. 2002	Jan. 2003	Feb. 2003	Mar. 2003	Apr. 2003	May 2003	Jun. 2003

● Public Hearing

◆ Mayor and Council Worksession

■ Budget/CIP and Utility Rates Adoption

City of Rockville Organizational Chart

The chart below details the City's organizational structure by function for each department. Individual organizational charts for each department are located on the tab divider for each department.

